29 April 2016

March 2016 Quarterly Report

Highlights:

- **Continued increase over the quarter in gas production performance from Mahalo 6 / 7 Vertical-Horizontal well combination**
- **Two Additional Mahalo vertical wells now online contributing to record overall Mahalo gas flow rate of 464,000 scf/d**
- **Comet Ridge increasing stake in ATP 1015 in Galilee Basin to 100%, giving the Company a more significant eastern Galilee footprint**

Australian Permits

ATP 1191 Mahalo – Bowen Basin, Qld Comet Ridge (40%), Santos (30%), APLNG (30%)

Mahalo Pilot

The Mahalo project continued strong and increasing gas production performance from the Mahalo 6/7 Vertical-Horizontal well combination with a rate of 426,000 scf/d (standard cubic feet per day) as reported on 3 March 2016.

In line with the operating plan, the Production Operator, in early March, brought the Mahalo 5 vertical well on line at a slow pump speed, which has led to a steadily increasing gas flow rate from that well. Consistent with the plan, sufficient time was allowed to monitor well performance prior to opening up the next vertical well, Mahalo 4, in late March (See Figure 1). The pump in Mahalo 4 was restarted on 20 April 2016 leading to immediate gas production. The total gas rate from the pilot scheme at Mahalo has now passed 464,000 scf/d.

The horizontal well is a short proof of concept well and therefore is only contacting approximately 360 metres of coal. A development horizontal well in this area should be much longer and in contact with significantly more coal with proportionally higher gas rates.

Comet Ridge Managing Director, Tor McCaul, said in addition to strong gas flow performance, the Mahalo 6/7 combination had produced relatively minor amounts of water – around 20 bbl per day, with the trend in water production now further reducing. This would indicate that water handling capital and operating cost expenditure in a development scenario may be very low, further strengthening the Company's view on the value of the asset.

Comet Ridge is extremely pleased with the results in the Mahalo Block to date and believes it is a clear demonstration of strong commercial production potential. Positive factors relevant to the Mahalo pilot scheme when considering development are:

- Strong gas flow rate from a very short horizontal well section;
- Shallow reservoir;
- Low water production rates; and
- Proximity to existing infrastructure and Gladstone generally.

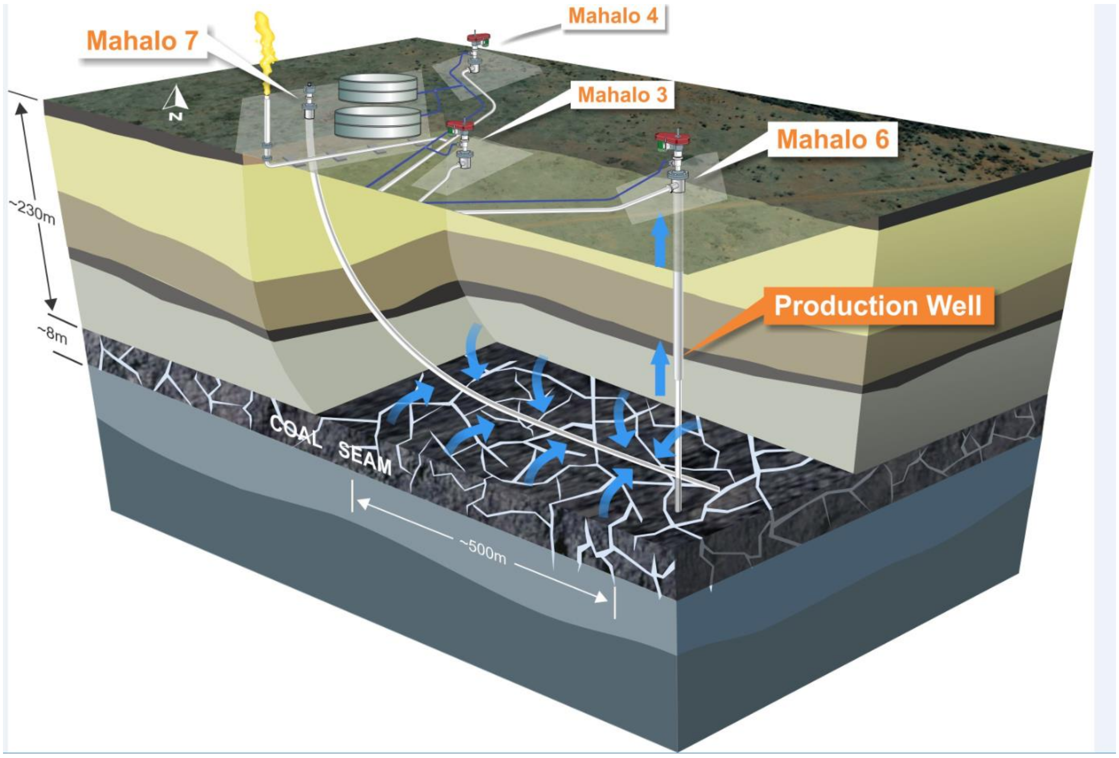

Figure 1 – Mahalo 7 horizontal well path to intercept the Mahalo 6 vertical production well

In making some general comments about the structural shortage of available gas on the east coast, Comet Ridge's Tor McCaul said that four of the six planned LNG production trains in Gladstone were now operating, with the final two due to start LNG manufacture later this year. The Moomba to Sydney pipeline is now flowing gas in the reverse direction, from Victorian offshore fields, to the northwest into Moomba, for the first time since that pipeline was built nearly 50 years ago, demonstrating how the eastern gas demand picture has grown enormously over the past 18 months.

The four pipelines carrying gas to feed the current industrial and LNG demand in the Gladstone area are carrying a combined 3100 TJ/d and Mr McCaul said he expected the gas requirement into this region would increase by about a further 40% when the final two LNG trains were operating later this year.

Anti-fracking pressure in the Northern Territory may mean that any production contribution into the east coast market from the NT may take significant time to arrive. Therefore any available gas reserves and resources in Central Queensland, particularly those with the right technical and commercial characteristics, such as Mahalo, are likely to become very valuable as both LNG manufacturers and industrial consumers seek gas molecules.

ATP 743 and ATP 744 – Galilee Basin, Qld (Comet Ridge 100%)
ATP 1015 – Galilee Basin, Qld (Comet Ridge increasing to 100%)

With the large independently certified Gas Contingent Resource volumes that the Company has in the Eastern Galilee Basin, particularly in relation to the Albany sandstone structure, discussions for third party funding for drilling and testing the structure are continuing.

The Eastern Galilee basin gas is relatively proximal to the very large LNG and industrial gas demand further east in the Bowen Basin and in Gladstone. Given the size of the resource, Albany gas also has the potential to be transported to the southeast by pipeline to connect into the expanding pipeline network originating in the Surat Basin and feeding the Brisbane market.

Work during the quarter included some high level cost estimates for several different development scenarios and pipelines as shown in Figure 2. Although the distances required to transport gas to market are relatively large, so too are the certified recoverable resource volumes. The Company believes that the Galilee basin will make a significant contribution to ease east coast gas demand pressures.

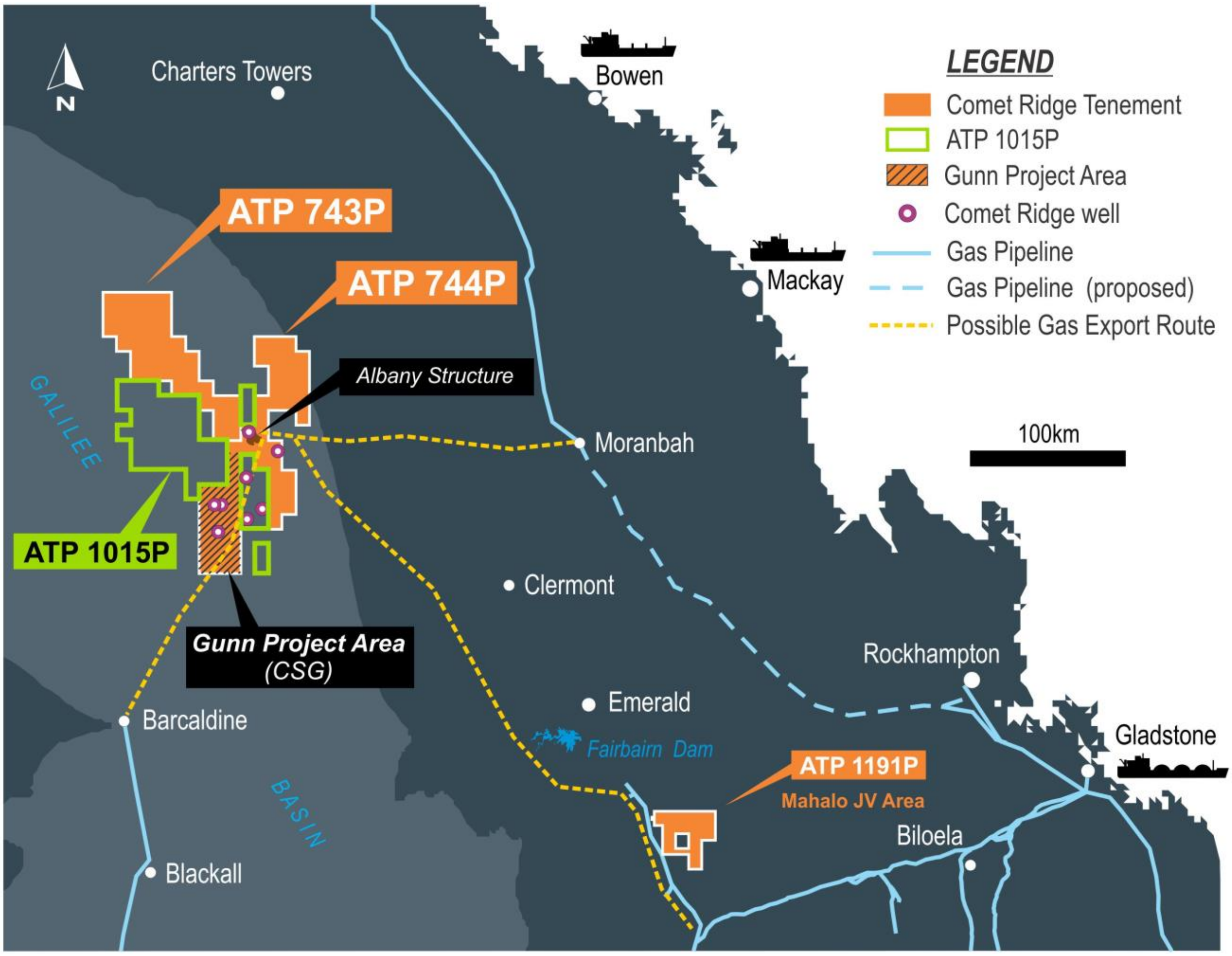

Figure 2 – Regional Location of Mahalo JV Area and Eastern Galilee Basin Blocks

Comet Ridge entered into an agreement with Queensland Energy Resources (QER) during the quarter to acquire all of its interest in ATP 1015. The effective date of the transfer will be 1 January 2016 once certain Conditions Precedent have been satisfied including conclusion of a due diligence process, approval by the relevant Queensland Minister to transfer and approval of a Later Work Program. This will result in a cash payment (for contribution towards future well abandonment) to Comet Ridge of approximately $250,000.

Comet Ridge has developed a thorough technical understanding of this permit, having farmed into a part of ATP 1015 several years ago and drilled three wells. The area is highly prospective for CSG (with 1870 PJ 3C Contingent Resource in the neighbouring ATP 744) and also has potential for conventional hydrocarbons.

Comet Ridge Managing Director, Tor McCaul commented that with the permit's location in respect to the Company's existing Galilee permits, and the technical understanding that the company has developed over the last few years, the move to consolidate the area made sense and provided Comet Ridge with potential gas volume upside by adding to the already significant gas resource base.

Gunnedah Basin, NSW (Comet Ridge CSG equity: PEL 427: 50%, PEL 428: 60%, PEL 6: 22.5%)
(Comet Ridge Conventional equity: PEL 427: 100%, PEL 428: 100%, PEL 6: 99.7%)

Energy Australia has notified the Joint Venture partners that it was electing to withdraw from PEL 6, PEL 427 and PEL 428. Withdrawal and assignment was effective 20 February 2016. With this decision and subject to the assignment of the interests, equity has been split in accordance with the joint venture agreement on a pro-rata basis with the adjustment to the Comet Ridge equity position in these permits detailed below:

Permit	Previous Equity (%)	Current Equity (%)
PEL 427	50.0	59.09
PEL 428	60.0	68.42
PEL 6	22.5	29.55

The Company is awaiting formal approval for the renewals of PEL 6 and PEL 428 which were submitted in October 2015. Comet Ridge's large Gunnedah Basin position is shown in Figure 3.

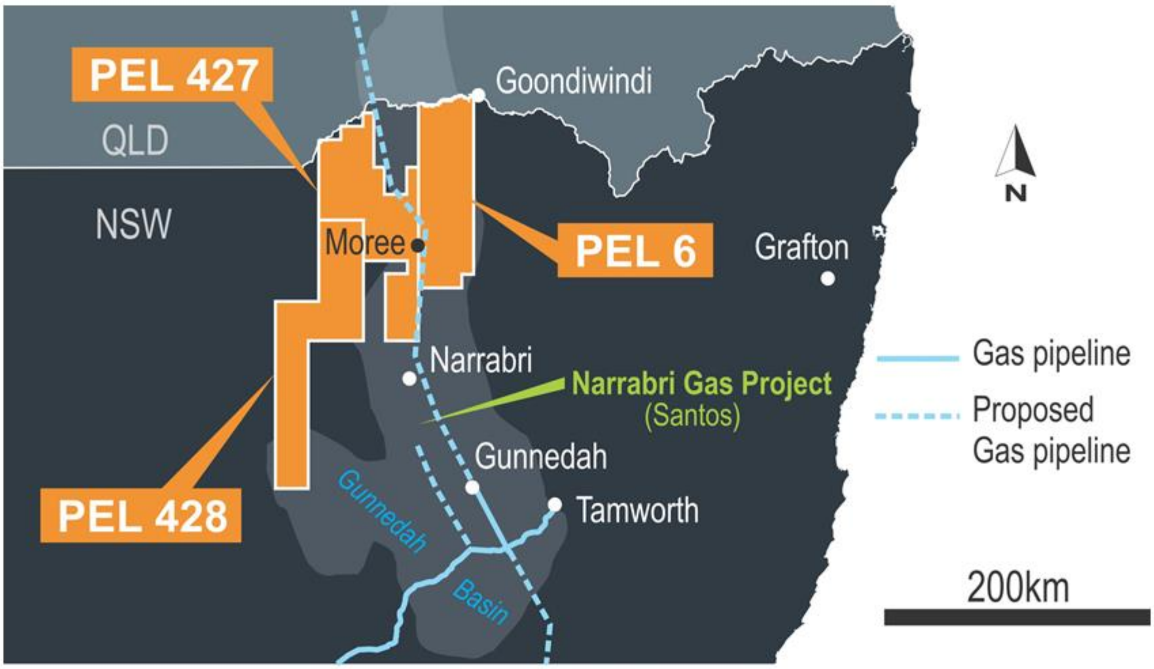

Figure 3 – Comet Ridge's Gunnedah Basin position

Stephen Rodgers
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COMET RIDGE LIMITED – OVERVIEW

Comet Ridge Limited has significant Coal Seam Gas (CSG) projects in key regions of Queensland and northern New South Wales. Gas reserves and resources have been certified, by independent professional certifiers, at several projects in Queensland and New South Wales. The company is listed on the Australian Securities Exchange (ASX Code: COI) and is based in Brisbane. The Board and Management are experienced in establishing and developing energy projects.

Corporate Strategy

Comet Ridge has gained early entry into well-located exploration areas, allowing shareholders to gain substantial leverage into the upside value potential associated with exploration success.

Comet Ridge conducts CSG exploration and appraisal, with the aim of maturing exploration acreage from Gas Resources into Proven and Probable Gas Reserves. This process initially involves drilling wells in order to certify Prospective and Contingent Resources and then through further appraisal via Pilot Projects, with the intention of progressing into certified Reserves.

Where possible, Comet Ridge takes high equity positions in its large exploration permits, including a 100% interest in two blocks in the Galilee Basin. Comet Ridge has 40% equity in the ATP 1191 Mahalo Block in the Bowen Basin, and CSG equity of 22.5%, 50% and 60% respectively in PEL 6, PEL 427 and PEL 428 in the Gunnedah Basin in New South Wales.

Work Programme

Comet Ridge has an active exploration and appraisal work plan for CSG projects in eastern Australia, focused on the conversion of contingent resources to reserves.